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STATE FOR INL AND EUR/NB
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SUBJECT: LITHUANIA INCSR (INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT) PART II (FINANCIAL CRIMES AND MONEY LAUNDERING) 2004-2005

REF: (A) STATE 254401; (B) VILNIUS 01430

SUMMARY

¶1. Money laundering is not a significant problem in Lithuania. Strict legal and regulatory controls and the GOL's cooperation with international regulatory counterparts explain the government's success. The Lithuanian government increased controls to prevent financial crimes and money laundering in 2004. It published regulations implementing earlier parliamentary statutes passed in 2003. These regulations also expanded the criteria and rules governing the identification of suspicious transactions and management of registers recording them. The proceeds from smuggling, principally cheap Russian cigarettes for domestic consumption, but also alcohol, Chinese goods and narcotics, and from VAT fraud and tax evasion, enter the Lithuanian economy. Such "predicate crimes" constitute a greater problem for law enforcement than the consequent money laundering. In 2004, law enforcement stepped up interceptions of smugglers, while the Financial Crime Investigation Service (FCIS) started nine money laundering pre-trial investigations. FCIS froze over USD 9.6 million in criminal assets in 2004 (first ten months). The FBI reports excellent cooperation with Lithuanian law enforcement on suspected money laundering cases. Lithuania is a signatory to numerous international conventions on money laundering, concluding four additional agreements with European countries in 2004. Lithuanian law enforcement officials participated in two money laundering prevention workshops made possible with USG assistance in 2004. End Summary.

Sources of Illicit Money

¶2. Local experts identify the informal economy, estimated at 18 percent of GDP, as the most likely source of illicit money in Lithuania. The flow of smuggled goods, principally cigarettes and alcohol from Russia and Belarus, is driven by price differentials between these countries and Lithuania and the West. A pack of cigarettes in Lithuania, for example, costs only one-fourth the price of a pack in the EU. Experts anticipate that smuggling will increase when Lithuania adopts the minimum EU excise rate in 2009. The demand for smuggled cigarettes is greatest domestically, a shift from 2002, when cigarettes transited Lithuania for Germany and the U.K.

¶3. Smuggled Chinese goods are also a source of illicit income, since smugglers underreport the value of the goods to Customs and the State Tax Administration to avoid VAT and profit taxes on such goods. Smugglers avoid paying taxes on the goods by generally selling them at largely unregulated outdoor markets. Following the removal of border checkpoints after Lithuania's accession to the EU, customs officials are only able to inspect Chinese goods if they receive information to track them down in Lithuanian warehouses.

¶4. VAT fraud is a third source of illicit income. Experts note that VAT revenues are not increasing proportionally to retail sales. In 2003, for example, VAT revenues constituted 6.7 percent of GDP, whereas in 2002, they constituted 7.5 percent of GDP.

LAW ENFORCEMENT ACTIVITY

Smuggling

¶5. Customs reports that it initiated 114 pre-trial investigations against smugglers in 2004, up from 101 in ¶2003. The agency provided a partial breakdown of these investigations:

-- 33 investigations related to smuggling into Lithuania;
-- 30 cases addressed a failure to re-export goods from Lithuania; and
-- 13 investigations addressed document forgery.
According to Customs data covering the first nine months of 2004, the four top categories of smuggled goods, in terms of total value of goods intercepted were:

-- Tobacco products, worth LTL 654,624 (USD 251,778), up from LTL 644,644 (USD 247,940) during the same period in 2003;

-- Stolen cars, worth LTL 400,000 (USD 153,846), down from LTL 1,246,097 (USD 479,268) during the first nine months of 2003;

-- Chinese goods, worth LTL 114,222 (USD 43,931), down from LTL 10,298,688 (USD 3,961,033) during the first nine months of 2003; and

-- Metals, worth LTL 73,000 (USD 28,077), down from LTL 92,000 (USD 35,384) during the first nine months of 2003.

¶6. Customs says that the major category of contraband it intercepts is cheap Russian cigarettes smuggled in from Kaliningrad. It reports that small groups of mainly Lithuanian, but also Russian and Belarusian, smugglers control this trade. This is a significant change from the situation before 2002, when large criminal groups controlled this illegal activity, and smuggled goods exited Lithuania for Western countries in exchange for illegal cash entering Lithuania. A Border Guard press release stated that the agency had confiscated a record 3.2 million packs of smuggled cigarettes at the borders in 2004, up from 1.6 million packs in 2003, and 467,000 packs in 2002. The breakdown of the 2004 seizures is as follows:

-- 2.4 million packs at the border with Kaliningrad;
-- 540,000 packs at the Belarussian border; and
-- 288,000 packs at the Latvian border.

The Border Guards noted that smuggled cigarettes are sold at two or three times the purchase price in the black market, which is only half the legal price at shopping centers.

¶7. Customs also reports that it initiated four pre-trial investigations against alcohol smugglers in 2004. The largest seizure of 2004 occurred in September along the Polish border and involved 26 tons of spirits of Belarusian origin. Customs launched four pre-trial investigations (down from twelve cases in 2003) against criminals smuggling stolen cars from Western Europe. In 2004, Customs started 52 pre-trial investigations against suspects smuggling Chinese goods into Lithuania, and another 30 cases against individuals who had broken their commitments to re-export Chinese and Turkish goods to Latvia.

VAT Fraud

¶8. In November 2004, the press reported that the FCIS intercepted a well-organized criminal gang, which had defrauded the state budget of more than LTL seven million (USD 2.7 million) in VAT revenues. During 2003-2004, the group had established more than 30 shadow companies, according to FCIS, trading in timber, metal and other products. Press reports state that FCIS seized LTL 200,000 (USD 76,923) in cash, a dozen plastic bankcards, and falsified accounting books. The agency froze a large proportion of the criminal group's property valued at LTL four million (USD 1,530,000).

Narcotics

¶9. The sale of narcotics does not generate a significant portion of financial crime and money laundering activity in Lithuania. FCIS reported no cases of money laundering related to narcotics in 2004. Customs reported that it started ten pre-trial investigations against narcotic smugglers in 2004, the same number as in 2003. Law enforcement authorities estimate that the domestic drug trade is worth LTL 500 million (USD 200 million) per annum and is growing. Lithuanian organized crime groups have begun to penetrate the German narcotics market. Heroin is smuggled into Lithuania from Central Asia and the Balkans. Cocaine imports from South America travel through Western Europe into Lithuania. Poppy straw is especially popular in the countryside, and is smuggled to the Kaliningrad district of Russia.

Cash Couriers

¶10. Customs reported three seizures totaling LTL 69,620 (USD 26,778) during the first nine months of 2004, down from LTL 150,706 (USD 57,964) during the same period in
¶2003. On January 7, 2004, the Border Guards detained a Belarusian national on charges of smuggling LTL 123,000 (USD 47,307) and on December 14, another Belarusian national was detained for carrying USD 30,000 in cash.

Money Laundering: Nine pre-trial investigations underway
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¶11. There are no precise estimates regarding the scale of money laundering in Lithuania. One expert opined that money laundering is anywhere between LTL 10-100 million (USD 4-40 million) per year, but this is probably a low estimate, when viewed in the context of the size of the informal economy (LTL 10 billion, USD 3.8 billion)). Prosecutors launched criminal proceedings in nine suspected cases of money laundering, and seven additional cases of suspected tax evasion, document forgery, and smuggling. FCIS reported no convictions for money laundering in 2004. The nine suspected money laundering cases arose in part from FCIS-led investigations into 119 suspicious bank transactions, out of a total of more than one million transactions during the first ten months of 2004. Banks reported 65-70 of the suspicious transactions, while the balance were identified by FCIS.

¶12. Authorities did not launch a single investigation against bank officials for complicity in money laundering in 2004. Regulatory authorities exercise tight supervision of the country's ten commercial banks, two foreign bank branches and 58 credit unions, and laundering cash through the banking system is a high-risk activity. FCIS stated that although there were many cases of credit card fraud, none were related to money laundering. The Police report that financial crimes constituted four percent, fraud accounted for three percent, and the production of counterfeit currency slightly above one percent of all crimes committed in 2004.

¶13. Lithuania has good laws that have created adequate legal safeguards against money laundering. Experts observe that GOL controls in the banking sector are adequate, and that the banking system, largely Scandinavian-owned, is vigilant against potential launderers. They opine that the GOL dedicated adequate funds in 2003-2004 to its three law enforcement agencies (FCIS, Border Guards, Customs) responsible for combating money laundering. FCIS's 2004 budget increased by 23 percent over 2003, while the Customs' budget decreased by 13 percent. The experts highlight, however, some deficiencies in law enforcement measures, such as a lack of adequate cooperation and information exchange among these agencies at the regional level, inadequate training of officers, and corruption at the regional level. Additionally, following EU accession, Customs officials no longer routinely inspect goods at border posts with neighboring EU states, relying instead on mobile units to patrol the border. The GOL currently has 13 mobile units, and plans to establish an additional ten by the end of January 2005.

Real Estate - a potential venue to launder money?
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¶14. Experts identify real estate purchases as a potential venue to launder money. The State Tax Administration checks the income and property declarations of categories of high-spending individuals, such as those purchasing expensive real estate, jewelry, furniture or other luxury goods worth more than LTL 50,000 (USD 19,230), and large donors to election campaigns, and matches them with expensive purchases. The agency told us they have many sources to gather this information, such as inspection of Lithuania's single Real Estate Register, information from construction companies and real estate agents, and review of the largest luxury good stores' records. From January 1, 2004, all taxpayers must submit one annual income and property declaration. Before this change, only those purchasing property with a value in excess of LTL 46,000-50,000 (USD 17,700-19,230), politicians, and business managers were obliged to submit these declarations. The tax inspectorate has closed the loophole that enabled potential launderers to purchase property in Lithuania worth less than the threshold, using illegal-source monies, without declaring the purchase or accounting for the source of the funds. The agency told us that its data for 2004 would only be available after the tax submission deadline of May 1, 2005.

¶15. Lithuanian officials and financial institutions do not encourage or facilitate money laundering or narcotics trafficking. Lithuania is not an offshore or regional financial center. The State Tax Administration informed us, however, that it has encountered cases of Lithuanian companies purchasing goods in Russia at lower prices, then attributing higher prices to offshore companies outside

Lithuania, such that the Lithuanian companies are able to conceal the illicit profit they make.

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LAWS AND REGULATIONS TO PREVENT MONEY LAUNDERING
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¶16. Money laundering is a criminal offence punishable by up to seven years in prison. The Lithuanian parliament, on January 29, 2004, amended the definition of money laundering in Article 216 of the Criminal Code. The law now defines a money launderer as "any person who carries out financial operations with his own or another person's money or property or with part of them knowing that such money or property acquired in a criminal way, concludes the agreements, uses them in economic or commercial activity, or makes a fraudulent declaration that they are derived from legal activity, for the purposes of concealing or legitimizing these proceeds shall be punished by imprisonment for a term of up to 7 years. Enterprises shall also be held liable for the acts specified in paragraph 1 of this Article."

Reporting Requirements

¶17. Amendments to the law on the Prevention of Money Laundering went into effect on January 1, 2004. FCIS now has the authority, upon receiving a report of suspicious financial activity, to direct financial institutions to freeze an account for 48 hours without prosecutorial intervention. Article 9 of the Money Laundering Prevention Law requires financial institutions and other entities (auditors, insurance companies, investment companies, book-keeping companies and notaries) to report to the FCIS suspicious transactions of any size and the identity of clients involved within three hours of detecting such activity. The FCIS may extend the freeze during an investigation.

¶18. The GOL published four regulations in 2004 to implement the new requirements of the Law on Money Laundering.
-- In July, the Cabinet expanded the criteria to identify suspicious money operations. The new list includes 25 detailed criteria, such as an unusual increase in cash payments, cashing LTL 100,000 (USD 40,000) or more within seven days, splitting a cash transaction into a number of transactions in order not to reach the LTL 50,000 (USD 20,000) threshold, and cashing more than LTL 100,000 (USD 40,000) in seven days using a foreign credit card.

-- The Cabinet also adopted new rules in July to identify persons involved in suspicious transactions, and on transferring this information to FCIS. The regulation establishes a list of data and documents that a bank or another financial institution must request from a person whose identity must be established in accordance with the Law on Money Laundering.

-- In July, the Cabinet adopted detailed rules governing the management of registers of suspicious money transactions, and transactions exceeding LTL 50,000 (USD 19,230).

-- On November 15, the Cabinet approved new "Rules on Stopping Suspicious Money Operations and Providing Information to the Financial Crime Investigation Service (FCIS) at the Ministry of Interior." These rules entitle FCIS to request any legal or natural entities, except notaries, to freeze suspicious money operations for 48 hours upon receiving an FCIS order, unless such action would inhibit the investigation of suspicious money transactions. All entities except notaries are required to freeze such operations if they notice them, and to appoint individuals who will be responsible for monitoring money operations and who can freeze suspicious operations. All entities except notaries must report details on all such operations to FCIS within three working hours after freezing the suspicious operations.

Large Transactions

¶19. The law on money laundering requires financial institutions to identify and report to the FCIS within seven days any transaction exceeding LTL 50,000 (USD 19,230). The law also requires financial institutions to maintain a register of customers who engage in transactions exceeding LTL 50,000 (USD 19,230), or its equivalent in foreign currency, and to retain records for a minimum of ten years. The press, however, has criticized the requirement to report transactions exceeding LTL 50,000 (USD 19,230). Banks are aware of their reporting requirements and although not very happy about the new reporting burden imposed on them, have been very

cooperative and report and exchange information of their own accord, not only upon request of the FCIS.

¶20. Although Lithuanian law provides for confidentiality of commercial banking information, Article 16.4 of the Money Laundering Prevention Law protects bankers who report required information to the FCIS. The "Law on the Financial Crime Investigation Service" of March 28, 2002 authorizes FCIS to collect information from financial institutions.

Cross-border Currency

¶21. The law requires that individuals must declare to Customs cash they transport into or out of the country in excess of LTL 10,000 (USD 3,846). Following Lithuania's EU accession, this requirement applies only to individuals from third (i.e. non-EU) countries. Customs authorities must report to the FCIS as soon as possible, and no later than within seven working days, incidents where a person enters or departs the country transporting cash in excess of LTL 50,000 or equivalent (USD 19,230). Customs has primary responsibility for border checks, the Border Police perform periodic checks, and the FCIS provides consultation support, as necessary.

Other Reporting Requirements

¶22. The amendments to the Law on the Prevention of Money Laundering require that insurance companies identify customers whose annual insurance payment exceeds LTL 8,500 (USD 3,269). Casinos must register patrons who wager, win, or exchange for chips amounts larger than LTL 3,500 (USD 1,346). Although they are not obliged to report this information, FCIS tells us that they usually do. Casinos are required to report any suspicious transactions and any transactions exceeding LTL 50,000 (USD 19,230).

¶23. The amendments also require lawyers to notify the lawyers' association about clients' suspicious transactions, and that the association inform the FCIS within three working hours of notification. The lawyers' association must maintain a register of suspicious transactions and maintain relevant records for ten years. Lawyers protested that the new reporting requirements violate attorney-client privilege. No other groups have voiced substantive objections about the new legislation.

Record-keeping Requirements

¶24. Banks and other financial institutions are required to maintain records for ten years "after they break contact with the customer." FCIS interprets this to mean ten years following the customer's last transaction. Banks also retain information on the identity of an account owner ten years following the closure of the account.

Bankers' Obligations

¶25. The Code of Administrative Violations imposes a fine of LTL 2,000 (USD 769) on bank officers who negligently or inadequately identify and report money laundering in their institutions, or who do not keep the required records. Bank officials who are suspected of complicity in money laundering are subject to criminal prosecution and imprisonment of up to seven years under Article 24 of the Criminal Code. The Central Bank may withdraw a bank's license for violating procedures designed to prevent money laundering.

Witness Protection

¶26. Prosecutors and pretrial investigation officers may grant witnesses anonymity, per the Criminal Process Code (Articles 198, 199). The Court protects the anonymity of witnesses under threat to life, health, freedom, or property, or when the witness's testimony is critical to the case. There were no reports of retaliatory actions taken by traffickers or organized crime specifically related to money laundering investigations. There have been minor incidents of vandalism of police officers' homes and cars, but these were not specific to money laundering investigations.

TERRORIST FINANCING

¶27. The GOL has independent national authority to freeze assets linked to terrorism. The amended Law on the Prevention of Money Laundering defines terrorist financing as an "activity by means of which individuals intentionally

use money or other assets received by criminal or other means for the direct or indirect funding of terrorism." Article 9 of this law authorizes FCIS to freeze suspicious assets (including those related to terrorism) for a period of up to 48 hours, after which period, procedures outlined under the Code on Penal Procedure apply. Article 72 of the Criminal Code permits confiscation of assets that served as the tool, or represent the result, of a crime. Article 250 of the Criminal Code, which came into force on April 10, 2003, establishes financing terrorist acts as a crime, and prescribes imprisonment of between 4-20 years.

¶28. In 2003, Lithuania ratified the International Convention for the Suppression of the Financing of Terrorism, which came into force on March 22, 2003. In April 2004, the Parliament passed a law on the "Implementation of Economic and Other International Sanctions" which makes international financial sanctions, including UN sanctions against terrorists, valid in Lithuania, and charges MFA with taking the lead in overseeing their implementation. It also clarifies the role of other GOL agencies, such as FCIS, Customs, the Insurance Authority, and the Stock Exchange Commission, in this process. The law provides that the Lithuanian Cabinet establish and amend, by resolution, implementation of international sanctions. Provisions of the law apply to the actions of Lithuanian legal and natural persons in foreign countries, irrespective of whether foreign countries implement international sanctions as applied by Lithuania. Lithuania does not have an "all serious crimes" anti-money laundering law.

¶29. The State Security Department is the lead GOL agency coordinating efforts against terrorism. Together with FCIS, it circulated to financial institutions the names of all terrorist individuals and entities on the UN 1267 Sanctions Committee's consolidated asset freeze list and/or whom the USG has designated and whose assets it has frozen, for names which we provided to the GOL on a non-close-hold basis. For names provided on a close-hold basis, FCIS informed us it did a thorough search in its database. The government has provided no indication that its searches in 2004 have yielded any evidence of terrorist assets.

¶30. Charitable and non-profit entities do not play a role as conduits to finance terrorism. Alternative remittance systems do not exist in Lithuania. A press report noted that a Catholic priest accepted a donation of LTL 5-10 million (USD 1.9-3.8 million) in November 2004 in violation of internal Church regulations that require the approval of a bishop for donations of more than LTL 10,000 (USD 3,846). The Church has started an internal investigation into this matter, while the parliamentary budget committee debates how best to regulate charities.

FREE TRADE ZONES

¶31. Lithuania has Free Economic Zones (FEZ) in the cities of Klaipeda, Kaunas and Siauliai. Klaipeda is the country's largest seaport, Kaunas is an air, road, and rail hub, and Siauliai hosts the largest airport in the Baltics. There are currently four businesses operating in the Klaipeda FEZ. This largest of Lithuania's zones, with 130 million euros (USD 174 million) in total foreign investment, has signed contracts with four more enterprises to begin operations in 2005.

¶32. Companies operating in the FEZ receive the same legal guarantees as those operating elsewhere. Parliament approved a law on the fundamentals of free economic zones on June 28, 1995 that regulates conditions for the establishment of free trade zones and the legal status of firms operating in such zones. Lithuania's EU Accession agreement permits the indefinite operation of existing FEZs, but precludes the establishment of new ones. Businesses operating in the zones enjoy the following advantages:

-- 80 percent corporate tax reduction for the first five years of operation, and 50 percent for the next five years;

-- Exemption from customs taxes;

-- Exemption from Value Added Tax; and
-- A 50 percent discount on land leases.

FCIS has no indication that any of these free trade zones are being used in trade-based money laundering schemes or by the financiers of terrorism.

INTERNATIONAL COOPERATION

¶33. Lithuanian law enforcement cooperates with the USG in

investigations and the exchange of information related to money laundering, financial crimes, terrorist financing and customs issues. The Lithuanian FCIS exchanges information with the U.S. Financial Crimes Enforcement Network, the Federal Bureau of Investigation (FBI), and the Internal Revenue Service of the U.S. Department of the Treasury on suspicious financial transactions, and carries out joint investigations of money laundering cases. FBI states that it has had excellent cooperation with law enforcement agencies in Lithuania. In 2004, FCIS responded to five FBI and FinCen requests in 2004 for cooperation on money laundering and fraud cases, while FBI responded to several FCIS requests concerning individuals and businesses possibly associated with money laundering and fraud. The police and FCIS continue to cooperate with U.S. law enforcement bodies on a significant Russian Organized Crime/Money Laundering investigation. Through Mutual Legal Assistance Treaty (MLAT) and other requests, Lithuania provided bank records and other evidence to the United States to be used at trial. Lithuania allowed bank officials to travel to the United States in 2004 to testify at trial. FBIHQ is reviewing an FCIS proposal in 2004 for a Memorandum of Understanding between the two agencies to clarify their relationship.

¶34. Lithuanian authorities exchange records in connection with investigations and proceedings relating to terrorist financing and other crime investigations. The USG-GOL MLAT, which entered into force in 1999, provides a mechanism for formal exchange of records. Lithuania voluntarily exchanges with the United States information regarding on-site examinations of banks and trust companies. FCIS joined the Egmont Group of Financial Crime Investigative Units in 1999, whose primary objective is to provide a mechanism to exchange information in a timely and secure manner to further the fight against money laundering. FCIS joined the Egmont Secure Web in December 2003, permitting communication via secure email, including the posting and assessing of information regarding trends, analytical tools, and technological developments. In addition to Egmont, GOL officials exchange records via Interpol, and FBI, Customs and Internal Revenue Service liaisons. The Lithuanian government has not refused to cooperate with USG agencies on important cases.

¶35. Law enforcement is working with other countries on significant organized crime money laundering investigations. FCIS signed four agreements in 2004 covering cooperation against economic and financial crimes, money laundering, and exchange of information with the European Anti-Fraud Office, the Azerbaijan Revenue Service, the Italian Guarda di Finanza, and the Estonian Tax and Customs Board. Nine Memoranda of Understanding on cooperation for exchanges of financial intelligence information were signed with Financial Intelligence Units (FIU) from Belgium, Bulgaria, Croatia, the Czech Republic, Estonia, Finland, Latvia, Poland and Slovenia between 1999-2003. Lithuania and Germany signed an agreement in 2001 to cooperate in the fight against organized crime and terrorism.

¶36. USG assistance has provided advanced training to combat money laundering, including terrorist financing, and organized crime. The East-West Management Institute (EWMI), a not-for-profit organization that promotes economic and legal reform in countries making the transition to a free-market economy, conducted the following workshops and seminars with USG assistance:

-- A "Regional Workshop on Prevention of Money Laundering" (for law enforcement institutions) in Tallinn, Estonia, on June 10-11, 2004. Lithuanian participants included two Supreme Court judges, two prosecutors and two FCIS officials;

-- A "Regional Workshop on Prevention of Money Laundering" (for law enforcement institutions) in Vilnius on February 26-27, 2004. Lithuanian participants included six FCIS representatives, two judges, nine prosecutors and the Deputy Director of the Ministry of Justice's International Law Department. In addition, there were participants from Estonia, Latvia, and Ukraine;

-- In January 2003, EWMI organized a study tour to the United States for representatives of the three Baltic FIUs. Three FCIS officials traveled to the United States to meet with FINCEN, the U.S. FIU, to discuss money laundering;

-- A "Regional Workshop on the Prevention of Money Laundering" (for law enforcement institutions) in Gdansk, Poland, on May 22-23, 2003, which served as a forum for specialists in financial crime to discuss cases and exchange opinions about the current situation in the field. Lithuanian participants included two prosecutors and one judge. There were investigators, judges and prosecutors from Estonia, and Latvia as well;

-- A seminar on "Prevention of Money Laundering" (for banks and financial institutions) in Riga, Latvia, on October 30, 2001; and

-- A seminar on "U.S. and Foreign Banks' Compliance with the US Patriot Act" (for banks and financial institutions) in Riga, Latvia, on October 30, 2002.

In addition, the USG and the GOL signed a letter of Agreement on Law Enforcement on September 30, 2003, under which the United States agreed to provide training and equipment to the Lithuanian police to combat currency counterfeiting. The USG provided USD 325,000 in surveillance equipment in 2003, pursuant to a Letter of Agreement signed on March 22, 2002, to combat corruption.

¶37. Lithuania is a signatory to the 1988 International (Vienna) Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, which it ratified on March 12, 1998. It is also party to the 1990 Council of Europe (Strasbourg) Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, which it ratified in 1994. On December 9, 2003, Lithuania's Parliament ratified the International Convention for the Suppression of Terrorist Bombings. The country adheres to the recommendations of the Financial Action Task Force and relevant EU policy directives. The 2003 amendments to the Law on the Prevention of Money Laundering incorporated recommendations from EU policy directives issued in 1991 and 2001.

ASSET FORFEITURE AND SEIZURE LEGISLATION

¶38. Pretrial investigation agencies (police, FCIS, Customs, secret police) are responsible for tracing assets. A prosecutor may prohibit individuals suspected of involvement in money laundering or other financial crimes from disposing of property for a period of up to six months. Freezing assets for a longer period requires a court order. The court can seize only property which the criminal or his/her accomplice used as an instrument of a crime or a means to commit a crime or which was acquired as the direct result of a criminal act. The court may seize assets in order either to ensure the possibility of forfeiture in criminal cases or to secure a judgment in a civil action. Upon conviction of money laundering or terrorism financing, an individual may be subject to fines, restrictions on operation of his/her company, or liquidation of property.

¶39. The FCIS froze over LTL 25 million (USD 9.6 million) in assets during the first ten months of 2004. In 2003, the FCIS froze over LTL 52 million (USD 20 million) in assets, and in 2002, LTL 35.1 million (USD 13.5 million). There are no figures available for the total value of forfeited crime-related assets. The police lack adequate resources to perform property seizures.

Disposition of Assets

¶40. Proceeds from seizures and forfeitures go into the national budget, except for armaments, which go into the national weapons fund. The police destroy seized narcotics. Enforcement actions led to LTL 6.5 million (USD 2.5 million) in seized drugs in 2004. Lithuania does not share crime-related assets with other governments. Seizures and forfeitures of assets have not generated a public or political reaction. Following passage of the Criminal Process Code in 2003, the government is not currently considering other legislation on seizure and forfeiture.

¶41. The public and business community are supportive of GOL efforts against money laundering, so long as these measures are undertaken in a transparent manner.

MULL